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AICPA *Washington Report*

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FEDERAL TRADE COMMISSION

FTC jurisdiction with respect to state-regulated professions remains unchanged as House conferees rejected a Senate-sponsored amendment to the continuing appropriations bill on Sunday, 12/19/82. The joint House-Senate conference, meeting to iron out the differences in their continuing appropriations bills, voted to reject an amendment which had been offered by Sen. Warren Rudman (R-NH) and narrowly approved by the Senate Appropriations Committee, 15-14 on 12/15/82 (see the 12/20/82 Wash. Rpt.). A spokesman for Sen. Rudman, whose amendment was seen in the nature of a compromise from that which had been offered by Sen. James A. McClure (R-ID), expects Senators critical of the FTC to introduce restrictive legislation early in the 98th Congress which will convene on 1/24/83. In an apparent desire to avoid another debate over a continuing resolutions bill early next year, the conferees voted to adopt the Senate's version which will not expire until 9/30/82, rather than the House version which would have expired in 90 days. The President signed the bill into law on 12/21/82.

LABOR, DEPARTMENT OF

Most major banks, insurance companies and investment advisors will be exempted from the prohibited transaction provisions of the Employee Retirement Security Act, according to a recent Labor Department proposal. According to Labor Secretary Raymond Donovan, the class exemption represents a shift in the department's administration of ERISA "from paternalistic regulation to prudent deregulation." The proposed exemption would allow qualified asset managers of employee benefit plans to engage in sales, loans, leases, extensions of credit, and exchanges of property with "parties in interest" without violating ERISA's prohibited transaction rules. A public hearing is tentatively scheduled for 3/10/83. Comments are requested by 2/18/83.

OFFICE OF MANAGEMENT AND BUDGET

The Compliance Supplement for single organization-wide audits of governmental units receiving federal aid was recently approved by OMB Director David A. Stockman. Organization-wide audits of financial statements, internal control and compliance with legal requirements are called for by OMB Circular A-102, "Uniform Requirements for Grants to State and Local Governments." The supplement defines the major compliance requirements and provides other information for the 60 programs that make up 90 percent of the federal aid to state and local governments. According to a government release, the use of the supplement in conjunction with the standard audit guide will enable state and local governments to meet federal program requirements for compliance. It is expected that this will result in more appropriate sharing of audit responsibility among the various levels of government and streamline the intergovernmental grants system. The supplement is available from the Government Printing Office for \$7.50. When contacting the GPO at 202/783-3238, refer to stock #041-001-00262-6.

SECURITIES AND EXCHANGE COMMISSION

Supplemental oil and gas disclosures will now require compliance with the provisions of FASB Statement of Financial Accounting Standards No. 69, according to rules recently adopted by the SEC. The Commission has concluded that disclosures specified by SFAS 69 provide adequate information about oil and gas producing activities, particularly, because they include a presentation of a standardized measure of discounted future net cash flow relating to proved oil and gas

reserves and a reconciliation of such standardized measure from period to period. The final rules also eliminate certain requirements for oil and gas disclosures set forth in Industry Guide 2, which duplicate requirements in Regulation S-X and the FASB Statement. The action is consistent with the commitment announcement in ASR No. 289, to re-examine existing rules upon the development of an oil and gas disclosure standard by the FASB. The rule is effective for companies with fiscal years beginning on or after 12/15/82. Where the supplemental oil and gas disclosures for years beginning before 12/15/82 are presented in accordance with SFAS 69, the Commission will automatically waive the requirements of Rule 4-10(k) and Regulation S-X for those years. For additional information contact Jack Albert at 202/272-2130.

Consideration of whether to propose rules or recommend legislation in the area of mutual fund governance, recently prompted an advance notice and request for comments from the Commission (see the 12/17/82 Fed. Reg., pp. 56509-13). The proposal would enable all or certain types of registered open-end investment companies to be organized and operated without shareholder voting, or without either shareholder voting or boards of directors. The major goal of such action, according to the SEC release, would be to reduce the expenses of fund operations without sacrificing investor protections. In addition to seeking guidance generally on the advisability of such action, the Commission is also requesting commentators to focus on certain specified areas such as creation of an alternative type of investment company; the unitary investment fund. Comments are requested by 3/10/83. For additional information contact Bruce Mendelsohn at 202/272-2048.

Treasury, Department of

A new ruling which sets forth the proper year to pay the federal income tax on a taxpayer's year-end stock sale when payment is received the following taxable year, Revenue Ruling 82-227, was recently announced by the IRS. The new rule deals with the problem a cash basis taxpayer would face if he sold stock on an exchange through a broker at a gain on 12/31/81, but did not deliver the stock to the broker and receive payment until 1/8/82. Under the new rule, the transaction is considered an installment sale and if the taxpayer elected out of the installment method he would then be required to include the gain in 1981 gross income. If, however, he chose to make no election, the gain would be included in 1982 gross income. Additionally, the IRS ruled obsolete Rev. Rul. 72-381, which, under similar circumstances, requires the gain realized on the sale of stock to be reported in the year the payment is received.

Employers of certain alien farm workers are no longer required to deposit Federal Unemployment Taxes (FUTA) for these workers, according to a recent IRS press release, IR-82-144. Under the TEFRA, wages paid from 1/1/82 through 12/31/83, to aliens temporarily doing agricultural work under the I-migration and Nationality Act are exempt from FUTA. Employers may file a claim for refund on amounts paid after 7/31/82. A refund claim can be made on a Form 940, Employers Annual Federal Unemployment Tax Return, or on a Form 843, Claim, if the Form 940 has already been filed. Any claims for refund should be sent to the IRS Service Center where an employers Form 940 is filed.

The IRS will not revise the table used to determine the cost of group-term insurance on an employee's life which is included in the employee's gross income, according to a recently released IRS press release IR-82-148. Certain taxpayers were furnished a proposed revision of the table (Table I) and erroneously advised that the revisions have been adopted and are

effective as of 1/1/82. The IRS noted that taxpayers who report the cost of group-term life insurance based on any table other than Table I as presently in effect will be subject to all applicable sanctions and penalties.

SPECIAL: PRESIDENT ANNOUNCES NEW MINORITY BUSINESS PROGRAMS

A new basis for "a renewed and vigorous minority business effort for the 1980's" was announced by President Reagan in a speech from the White House on 12/17/82. Specifically, the President committed the Federal Government to assist directly in the formation of at least 60,000 new minority businesses over the next 10 years; to procure an estimated \$15 billion in goods and services from minority businesses during FY 1983-85; and, to make available \$1.5 billion in credit assistance and \$300 million in management and technical assistance to promote minority business development during the same three year period. In addition, the President asked the Vice President's Task Force on Regulatory Reform "to explore opportunities for reducing regulatory and other barriers to small and minority business expansion, and for promoting meaningful entry into the international trade arena."

For additional information, please contact Jim Kovakas, Gina Rosasco, Nick Nichols or Kathee Baker at 202/872-8190.

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